

State Treasurer

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	30.4	30.4	30.4
Personal Services	1,687,700	1,697,000	1,697,000
Employee Related Expenditures	642,600	717,400	703,600
Professional and Outside Services	193,800	180,900	180,900
Travel - In State	600	2,000	2,000
Travel - Out of State	3,500	0	0
Other Operating Expenditures	250,800	250,800	250,800
OPERATING SUBTOTAL	2,779,000	2,848,100	2,834,300
SPECIAL LINE ITEMS			
Virtual Border Fence	0	12,100 ^{1/}	0
Justice of the Peace Salaries	1,205,100	1,205,100	1,205,100
Law Enforcement/Boating Safety Fund Grants	1,894,000	2,183,800	2,183,800
AGENCY TOTAL	5,878,100	6,249,100	6,223,200 ^{2/}

FUND SOURCES

General Fund	1,205,100	1,205,100	1,205,100
<u>Other Appropriated Funds</u>			
Border Security Trust Fund	0	12,100	0
Law Enforcement and Boating Safety Fund	1,894,000	2,183,800	2,183,800
State Treasurer Empowerment Scholarship Account Fund	40,000	79,700	79,400
State Treasurer's Management Fund	197,600	196,600	195,600
State Treasurer's Operating Fund	2,541,400	2,571,800	2,559,300
SUBTOTAL - Other Appropriated Funds	4,673,000	5,044,000	5,018,100
SUBTOTAL - Appropriated Funds	5,878,100	6,249,100	6,223,200
Other Non-Appropriated Funds	4,495,400	4,495,400	4,495,400
TOTAL - ALL SOURCES	10,373,500	10,744,500	10,718,600

AGENCY DESCRIPTION — The State Treasurer is an elected Constitutional Officer. The primary responsibilities of the office are to receive and keep custody over all monies belonging to the state that are not required to be kept by another entity, to pay warrants of the Arizona Department of Administration, and to keep an account of all monies received and disbursed. The office also invests state monies and operates the Local Government Investment Pool (LGIP) for the benefit of participating units of local government.

Operating Budget

The budget includes \$2,834,300 and 30.4 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
State Treasurer Empowerment Scholarship Account (ESA) Fund	\$79,400
State Treasurer's Management Fund	195,600
State Treasurer's Operating Fund	2,559,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(13,800) in FY 2017 for statewide adjustments. This amount consists of:

State Treasurer ESA Fund	(300)
State Treasurer's Management Fund	(1,000)
State Treasurer's Operating Fund	(12,500)

^{1/} Laws 2015, Chapter 231 appropriated all revenues collected by the Border Security Trust Fund in FY 2015 and FY 2016 to the Joint Border Security Advisory Committee for the purposes of administering and managing the construction and maintenance of a border fence. This amount is estimated to be \$12,100.

^{2/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

(Please see the Agency Detail and Allocations section.)

The State Treasurer ESA Fund is funded with monies retained from students' ESAs pursuant to A.R.S. § 15-2402C. That law allows the Arizona Department of Education (ADE) to retain 5% of each student's ESA funding for program administration, which for FY 2016 would have been as much as \$1,355,000 (an estimated \$27,100,000 ESA cost for the year X 5%). A.R.S. § 15-2402C requires ADE to transfer one-fifth of the 5% to the State Treasurer ESA Fund for the costs of ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. (Please see the Arizona Department of Education narrative for more information on ESAs.)

Virtual Border Fence

The budget includes no funding in FY 2017 for the development of a fence along the Arizona-Mexico border. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(12,100) from the Border Security Trust Fund in FY 2017 for the elimination of one-time funding.

Laws 2015, Chapter 231 appropriates all monies received by the Border Security Trust Fund in FY 2015 and FY 2016 to the Border Security Advisory Committee for the construction and maintenance of a fence along the Arizona-Mexico border. This amount is estimated to be approximately \$12,100. Prior to this bill, Laws 2012, Chapter 247 appropriated all of the monies received by the fund in FY 2012 and FY 2013 for the construction of a border fence, although only \$11,333 has been expended to date. At its November 9, 2015 meeting, the Border Security Advisory Committee approved an allocation of \$219,212 from the Border Security Trust Fund for a grant to the Cochise County Sheriff's Office for thermal imaging, GPS, and other equipment that will be utilized by the Southeastern Arizona Border Region Enforcement team, a multi-agency task force, and the Cochise County Sheriff's Office Ranch Patrol unit to track illegal drug and other illegal activity on the Arizona-Mexico border.

Justice of the Peace Salaries

The budget includes \$1,205,100 from the General Fund in FY 2017 for the Justice of the Peace (JP) Salaries Special Line Item. This amount is unchanged from FY 2016.

A.R.S. § 22-117 requires the state to pay 19.25% of the salary for each Justice of the Peace, with the county paying the remainder. This provision does not apply to

Maricopa County, which pays 100% of its JP costs. A.R.S. § 22-117 also limits the amount that the state can reimburse to the counties to the amount appropriated.

Justice of the Peace salaries are based on a proportion of the annual compensation for a Superior Court judge as determined by the guidelines for Judicial Productivity Credits (JPCs) outlined in statute. JPCs are calculated every 2 years and are based on the total and type of cases that a Justice of the Peace hears and whether or not the Justice receives clerical help. An annual average JPC total is compared against the salary ranges in statute to determine an individual Justice's compensation.

Law Enforcement/Boating Safety Fund Grants

The budget includes \$2,183,800 from the Law Enforcement and Boating Safety Fund (LEBSF) in FY 2017 for the administration of the Law Enforcement/Boating Safety Fund grants. This amount is unchanged from FY 2016.

A.R.S. § 5-383 requires the State Treasurer to administer LEBSF monies. However, the allocation determinations are made by the Arizona Game and Fish Commission. The Treasurer disburses monies to county law enforcement agencies in Apache, Coconino, Gila, La Paz, Maricopa, Mohave, Navajo, and Yuma Counties in accordance with the distribution formula developed by the Arizona Game and Fish Commission. The FY 2015 and year-to-date FY 2016 allocations are included in *Table 1*. The distributions are less than the appropriations due to insufficient revenues.

Table 1

Allocation of LEBSF Grants

<u>County</u>	<u>FY 2015</u>	<u>FY 2016 Thru May 17th</u>
Apache	\$ 54,900	\$ 44,100
Coconino	182,400	142,200
Gila	181,600	145,500
La Paz	336,700	272,500
Maricopa	352,400	285,500
Mohave	538,800	430,700
Navajo	62,700	50,300
Yuma	184,400	148,200
Total	\$1,893,900	\$1,519,000

Other Issues

Additional Legislation

Special Sporting Event Promotion

Laws 2016, Chapter 366 provides an annual General Fund appropriation of \$1,500,000 from FY 2022 through FY

2051 to the State Treasurer for distribution to the Office of Tourism if certain conditions are met. The funds are to be used to promote an auto-racing sporting event. Prior to the release of any monies, between December 31, 2016 and December 31, 2020, the eligible auto-racing sporting event must spend at least \$100,000,000 on land acquisitions, construction, improvements, or renovations of their facilities. Once these investments are made, the bill requires the eligible auto-racing sporting event to receive JLBC certification of their expenditures. After certification is received, the Treasurer is then appropriated \$1,500,000 in General Fund monies annually for distribution to the Office of Tourism from FY 2022 through FY 2051, or a total General Fund cost of \$45,000,000.

Additionally, the bill requires the Office of Tourism to provide an annual report on or before October 1 to the JLBC that includes the amounts and purposes of all expenditures made from these monies in the previous fiscal year. *(Please see the Office of Tourism narrative.)*

Distributions of Land Fund Revenues

The FY 2017 Government Budget Reconciliation Bill (Laws 2016, Chapter 121) requires the State Board of Investment and the State Treasurer to take all actions necessary for the distributions of monies from the State Land Trust Permanent Fund to recipient funds as outlined in the Arizona Constitution and statute. If either the State Board of Investment or the State Treasurer fails to make these distributions, the Governor, Speaker of the House, or Senate President may file an action with the Supreme Court to obtain a writ of mandamus or other appropriate action to compel the effected party to make the distributions.

The bill also includes a legislative intent clause directing the State Treasurer to comply with the results of the Proposition 123 election. As approved by the voters in May 2016, Proposition 123 increases the annual Permanent Fund distributions from 2.5% to 6.9% for FY 2017 through FY 2025. *(Please see the State Land Department section for more information.)*